



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
BUTLER COUNTY  
SHERIFF'S SETTLEMENT - 1999 TAXES  
SHERIFF'S SETTLEMENT - 1998 AND 1999 UNMINED COAL TAXES**

**April 28, 2000**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE BUTLER SHERIFF'S SETTLEMENT - 1999 TAXES SHERIFF'S SETTLEMENT 1998 AND 1999 UNMINED COAL TAXES**

**April 28, 2000**

The Butler County Sheriff's 1999 Tax Settlement, 1998 Unmined Coal Settlement, and the 1999 Unmined Coal Settlement received an unqualified opinion.

#### **1999 Property Taxes:**

The real and personal property tax assessments were levied as of January 1, 1999. The collection period for these assessments was October 5, 1999 through April 28, 2000. The net tax yield for 1999 was \$1,914,551. The taxes paid for the 1999 Taxes were \$1,830,808.

#### **1998 Unmined Coal Taxes:**

The tangible property tax assessments were levied as of January 1, 1998. The collection period for these assessments was November 22, 1999 through April 28, 2000. The net tax yield for the 1998 Unmined Coal was \$103. The taxes paid for the 1998 Unmined Coal Settlement were \$99.

#### **1999 Unmined Coal Taxes:**

The tangible property tax assessments were levied as of January 1, 1999. The collection period for these assessments was November 22, 1999 through April 28, 2000. The net tax yield for the 1999 Unmined Coal was \$102. The taxes paid for the 1998 Unmined Coal Settlement were \$98.

#### **Deposits:**

Deposits were fully insured as of April 28, 2000 and on the high balance date. The Sheriff has a written agreement with the depository institution.

#### **Interest Income:**

Interest income for the Butler County Sheriff's 1999 Tax Settlement, 1998 Unmined Coal Settlement, and the 1999 Unmined Coal Settlement was \$2,918.

#### **Internal Control:**

There were no reportable conditions or material noncompliances.



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Hugh C. Evans, Butler County Judge/Executive  
Honorable Kenneth Morris, Butler County Sheriff  
Members of the Butler County Fiscal Court

Independent Auditor's Report

We have audited the Butler County Sheriff's Settlement - 1999 Taxes as of April 28, 2000, Sheriff's Settlement - 1998 Unmined Coal Taxes as of April 28, 2000, and Sheriff's Settlement - 1999 Unmined Coal Taxes as of April 28, 2000. These tax settlements are the responsibility of the Butler County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Butler County Sheriff's taxes charged, credited, and paid as of April 28, 2000, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Hugh C. Evans, Butler County Judge/Executive  
Honorable Kenneth Morris, Butler County Sheriff  
Members of the Butler County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated March 27, 2001, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 27, 2001



BUTLER COUNTY  
KENNETH MORRIS, SHERIFF  
SHERIFF'S SETTLEMENT - 1999 TAXES

April 28, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 207,854	\$ 236,962	\$ 831,416	\$ 345,645
Tangible Personal Property	18,972	22,915	75,886	106,424
Intangible Personal Property				21,665
Fire Protection	2,636			
Franchise Corporation	17,138	20,879	68,552	
Gas	75	80	301	125
Undeveloped Oil and Gas	10	11	40	17
Oil	84	89	337	140
Additional Billings	444	472	1,777	739
Increased Through Erroneous Assessments	1,111	1,191	4,445	6,929
Penalties	2,343	2,662	9,310	3,960
Adjusted to Sheriff's Receipt	(197)	(189)	(789)	62
Gross Chargeable to Sheriff	<u>\$ 250,470</u>	<u>\$ 285,072</u>	<u>\$ 991,275</u>	<u>\$ 485,706</u>
<u>Credits</u>				
Discounts	\$ 2,885	\$ 3,278	\$ 11,395	\$ 6,298
Exonerations	4,030	4,535	16,118	9,791
Delinquents:				
Real Estate	5,082	5,574	20,327	8,450
Tangible Personal Property	20	25	81	83
Total Credits	<u>\$ 12,017</u>	<u>\$ 13,412</u>	<u>\$ 47,921</u>	<u>\$ 24,622</u>
Net Tax Yield	\$ 238,453	\$ 271,660	\$ 943,354	\$ 461,084
Less: Commissions *	<u>10,422</u>	<u>11,545</u>	<u>37,734</u>	<u>19,884</u>
Net Taxes Due	\$ 228,031	\$ 260,115	\$ 905,620	\$ 441,200
Taxes Paid	227,468	259,315	903,666	440,359
Refunds (Current and Prior Year)	<u>507</u>	<u>694</u>	<u>1,925</u>	<u>810</u>
Due Districts		**		
as of Completion of Fieldwork	<u>\$ 56</u>	<u>\$ 106</u>	<u>\$ 29</u>	<u>\$ 31</u>

\* and \*\* See Page 4

BUTLER COUNTY  
KENNETH MORRIS, SHERIFF  
SHERIFF'S SETTLEMENT - 1999 TAXES  
April 28, 2000  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	961,197
4% on	\$	943,354

\*\* Special Taxing Districts:

Library District	\$	68
Health District		5
Extension District		7
Big Muddy Watershed District		(8)
Mud River Watershed District		10
City of Rochester		24
		<hr/>

Due Districts or (Refund Due Sheriff)	\$	<u>106</u>
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The accompanying notes are an integral part of the financial statements.

BUTLER COUNTY  
KENNETH MORRIS, SHERIFF  
SHERIFF'S SETTLEMENT - 1998 UNMINED COAL TAXES

April 28, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Unmined Coal	\$ 13	\$ 14	\$ 54	\$ 23
<u>Credits</u>				
Discounts	\$ 0	\$ 0	\$ 1	\$ 0
Net Tax Yield	\$ 13	\$ 14	\$ 53	\$ 23
Less: Commissions *	1	1	2	1
Net Taxes Due	\$ 12	\$ 13	\$ 51	\$ 22
Taxes Paid	12	13	52	22
Refund Due Sheriff as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1)</u>	<u>\$ 0</u>

\* Commissions:

4.25% on	\$	50
4% on	\$	53

BUTLER COUNTY  
KENNETH MORRIS, SHERIFF  
SHERIFF'S SETTLEMENT - 1999 UNMINED COAL TAXES

April 28, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Unmined Coal	\$ 13	\$ 14	\$ 54	\$ 22
<u>Credits</u>				
Discounts	\$ 0	\$ 0	\$ 1	\$ 0
Net Tax Yield	\$ 13	\$ 14	\$ 53	\$ 22
Less: Commissions *	1	1	2	1
Net Taxes Due	\$ 12	\$ 13	\$ 51	\$ 21
Taxes Paid	12	13	52	21
Refund Due Sheriff as of Completion of Fieldwork	\$ 0	\$ 0	\$ (1)	\$ 0

\* Commissions:

4.25% on	\$	49
4% on	\$	53

BUTLER COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

April 28, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of April 28, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name.

BUTLER COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
April 28, 2000  
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 5, 1999 through April 28, 2000.

B. 1998 Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1998. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 22, 1999 through April 28, 2000.

C. 1999 Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1999. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 22, 1999 through April 28, 2000.

Note 4. Interest Income

The Butler County Sheriff earned \$2,918 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
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Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Butler County Sheriff's Settlement - 1999 Taxes as of April 28, 2000, Sheriff's Settlement - 1998 Unmined Coal Taxes as of April 28, 2000, and Sheriff's Settlement - 1999 Unmined Coal Taxes as of April 28, 2000. We have issued our report thereon dated March 27, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Butler County Sheriff's Settlement - 2000 Taxes as of April 30, 2001 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Butler County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 27, 2001

